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JAPANESE, AMERICAN APPROACHES DIFFER ON AGING, LONG-TERM CARE

SUMMARY

The Aesop fable of the grasshopper and the ant seems particularly apropos for the American and the Japanese approaches to long-term health care, an issue that stimulates concerns among individuals as well as governments about future dependency needs and the demands of a fast-growing older population. A different outlook by Japanese and Americans toward aging strongly influences preparations for life in a society that has more senior citizens. This preparedness involves financial planning by governments as well as individuals. Americans, whose fears center on the cost of care, as a whole save less than the Japanese and increasingly have looked to government to help provide financial protection for long-term care. Older Japanese — who, because of steady savings and a national health insurance program, worry somewhat less about the cost of care — instead are concerned about whether the infrastructure for caregiving is adequate.

Beyond the issues of financial security and infrastructure are concerns about older citizens' health, since good health is another key determinant of whether long-term care will be required. The differences in the Japanese and the U.S. health insurance systems help explain not only why Tokyo has implemented reforms aimed at keeping Japan's elderly healthy and improving service to those who are not but why Washington continues to debate how best to cope with the patchwork quilt that has evolved for elderly Americans' long-term care coverage.

Avoiding Long-Term Care

Long-term care does not necessarily mean a nursing home, whether for reasons of poor health or perhaps temporary disability. Nor are dependent elderly the only clients; the disabled of all ages can need long-term, generally round-the-clock services. Such care can be provided, for example, in a home by family members or others. A combination of home and day-care services might serve other dependent populations. Lack of financial resources, too, can force dependency even when

health considerations are not a major factor. Of concern to Japanese and American policymakers, however, is the prospect that a growing portion of their respective populations will be in the age group most associated with a need for long-term care, senior citizens.

By the year 2030 Americans of the postwar baby boom generation will form an estimated 22 percent of the population. Ten years before then the proportion of Japan's citizens 65 and older will make up 25 percent of that country's total population, according to estimates by the Ministry of Health and Welfare's Institute of Population Problems. The economic implications of such population shifts are broad, ranging from the prospect of fewer workers to support the social security demands of more retirees to the potential drain on the economy from government-supported health care programs covering the elderly.

Three interacting elements help improve the odds that an individual will not need long-term care: financial health, physical health and personal support systems. But each of these conditions involves a game of chance since not all individuals will require long-term care. Some will accept the risk that the roulette wheel will keep turning until the ball stops on someone else's number. If they bet wrong, their decisions will have serious personal as well as social consequences. This element of chance and the impoverishing costs that can accompany ill fortune have resulted in governments taking a key supporting role. Demographic and cultural changes in both Japan and the United States have elevated the expectations for government to provide a backup or be a substitute for the financial, physical and personal support systems that reduce the need for long-term care.

Staying Financially Healthy - Financial security in the "golden years" typically depends on earnings, to which social security and pensions are tied, plus savings and other assets. A worker not only has steady income but has a degree of health care security if his or her job provides health care benefits not otherwise affordable. Even more basic than these factors is that work tends to keep the body and the mind more active, which can stave off physical, if not mental, deterioration from lack of use. Thus, specialists in geriatrics like Robert Butler, the first director of the National Institute on Aging and now the American chair of the U.S.-Japan International Leadership Center on Longevity and Society at Mount Sinai Hospital in New York City, have urged that senior citizens remain in the paid work force to keep down their own and the country's health costs.[1]

- Through employment. From a regulatory standpoint, remaining in the work force is more of a problem for Japan's senior citizens than in the United States where the 1986 amendments to the Age Discrimination in Employment Act essentially eliminated mandatory retirement ages. In Japan a seniority-based employment system remains in place, if weakened somewhat by the tight labor market and evidence of more workers moving from job to job. Last year about 70 percent of the companies that employ 30 or more people said retirement was expected at age 60, or older, according to a Ministry of Labor survey. All but about 5 percent of the largest firms (those surveyed with more than 5,000 workers) have set 60 as the retirement determinant, with most of the remainder setting the time between 55 and 59, once the common retirement age in Japan. Government calls for the higher threshold of age 65 have met with resistance, although Japanese companies — many of them concerned about a labor crunch — have responded to government incentives to employ older workers by instituting a variety of programs, including rehiring retired workers or placing them in other jobs (see *JEI Report* No. 44B, November 17, 1989). In this way companies can limit the high cost of keeping senior workers on staff. As can be seen from Graph 1, men's earnings peak on average between age 45 and 55, depending on the size of the company. Women's earnings in smaller companies have little variation across the age spectrum, although the limited number of women working in large companies has experienced generally rising salaries. (The spike in the graph for women in large companies at ages 60-64 most likely results from the few women employed at that age — 20,220 in the Labor Ministry's June 1990 survey group — after an average time-on-the-job of 17 years. In contrast, the

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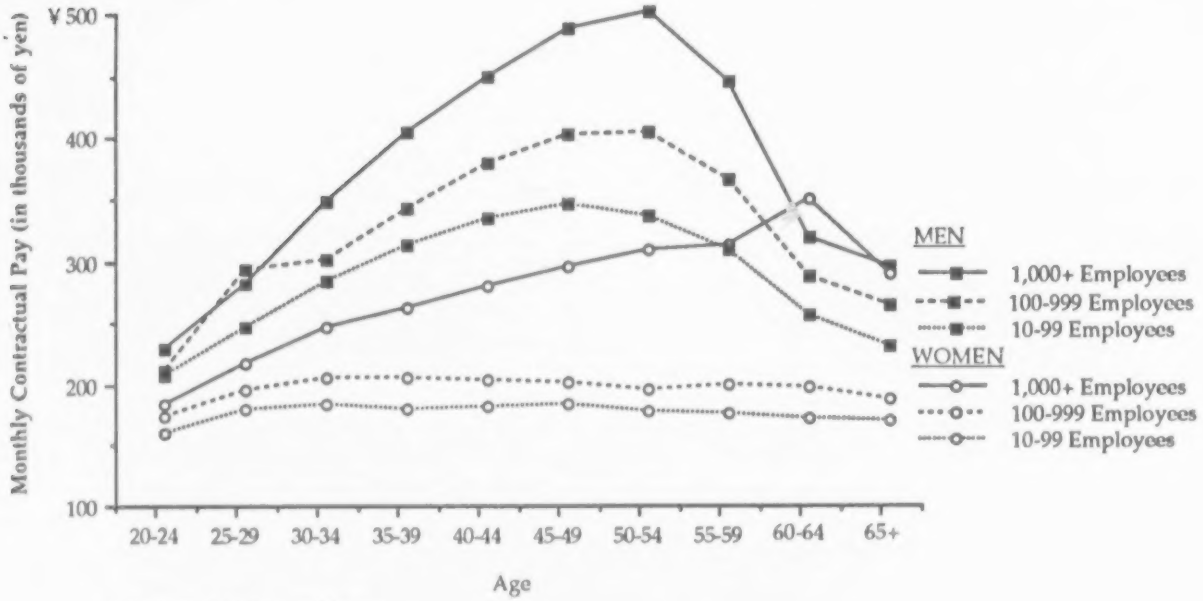
Graph 1: Average Monthly Earnings by Size of Company, Age and Gender in Japan, 1990



Source: Ministry of Labor

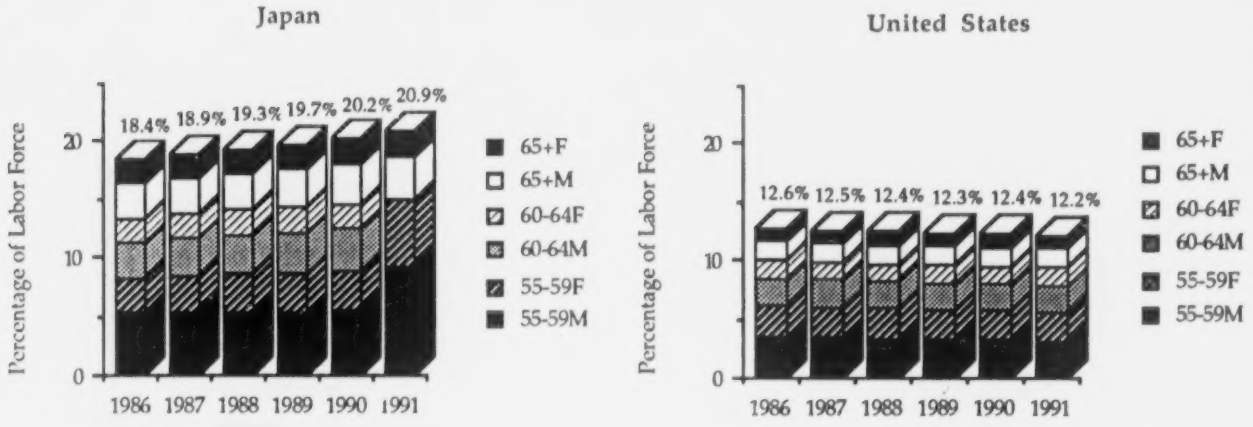
larger group of 60- to 64-year-old men, 40,870 in the survey, had worked for only 12.5 years in the largest firms polled, indicating that this group included a fairly high number of men who had moved into the company from other jobs.)

Despite the constraints regarding mandatory retirement in Japan and even though — or perhaps partly because — their earning power erodes as they age, more older Japanese workers stay in the labor force than do senior American workers. In 1991 employees aged 55 and older made up 20.9 percent of the Japanese work force, while the same age group amounted to 23.8 percent of the population. (Age 55 is used as a starting point for comparisons because some Japanese companies continue to require retirement at that age.) The growth rate of the working-age group in 1989 actually surpassed the growth in the population of the same age, a result that contrasts with the U.S. situation. The ratio of Americans over age 55 in the labor force declined slightly between 1986 and 1991 (see Graph 2), even though the corresponding proportion of the population grew by 0.6 percentage point over that period.

Year-to-year changes may not reveal a trend because other factors, like the state of the economy, may be critical. The drop in the ratio of older working people in the United States, for example, may not have resulted from voluntary retirement but may have stemmed from the slowdown in the economy and involuntary layoffs combined with difficulty in being rehired. Nevertheless, Table 1 indicates more senior employees in Japan's work force than in America's. The trend is the same for senior workers as a percentage of the 55-and-over population: about 44 percent of Japan's seniors are working compared with roughly 29 percent of their American counterparts. Government forecasters expect the U.S. number to increase in the future, since eligibility for Social Security benefits will shift from 65 for the average worker to 67 after the year 2000.

From the individual's perspective in both countries staying on the job means not only continued mental and physical activity but a steady income — if lower than its peak for older Japanese workers. Reasons for staying on the job past the normally expected retirement threshold vary and do not necessarily stem simply from concerns about meeting the cost of living in retirement.[2]

Graph 2: **Percentage of Japanese and U.S. Senior Labor Force by Gender and Age, 1986-91**



Note: For 1991 the category for 55-59 year olds also includes those for 60-64 year olds.

Table 1: **Japanese and American Senior Labor Force by Gender and Age, 1986-91**

(in millions)

	Japan					United States				
	Total Population	Work Force				Total Population	Work Force			
		Total	55-59	60-64	65+		Total	55-59	60-64	65+
1986	121.67	60.20	4.98	3.05	3.02	241.625	117.834	7.20	4.69	3.00
Male	59.81	36.26	3.16	1.85	1.87	117.820	65.422	4.19	2.76	1.80
Female	61.87	23.95	1.82	1.20	1.15	123.776	52.413	3.01	1.93	1.20
1987	122.26	60.84	5.14	3.22	3.12	243.942	119.865	7.20	4.67	3.10
Male	60.09	36.55	3.25	1.98	1.90	118.987	66.207	4.18	2.75	1.90
Female	62.17	24.29	1.89	1.24	1.22	124.928	53.658	3.02	1.92	1.20
1988	122.78	61.66	5.28	3.37	3.26	246.307	121.669	7.12	4.69	3.30
Male	60.35	36.93	3.34	2.09	1.97	120.189	66.927	4.10	2.73	2.00
Female	62.43	24.73	1.94	1.28	1.29	126.118	54.742	3.02	1.96	1.30
1989	123.26	62.72	5.41	3.56	3.39	248.762	123.869	7.09	4.79	3.40
Male	60.58	37.37	3.40	2.22	2.04	121.445	67.840	4.03	2.75	2.00
Female	62.67	25.33	2.01	1.34	1.35	127.317	56.030	3.06	2.04	1.40
1990	123.61	63.84	5.60	3.72	3.60	248.710	124.787	7.07	4.80	3.54
Male	60.69	37.91	3.48	2.34	2.17	121.239	68.234	4.01	2.80	2.03
Female	62.92	25.93	2.12	1.38	1.43	127.471	56.554	3.06	2.00	1.50
1991	124.14*	65.05	9.71		3.89	252.177*	125.303	7.04	4.71	3.50
Male	60.94*	38.54	6.04		2.37	---	68.411	3.97	2.72	2.00
Female	63.20*	26.51	3.67		1.52	---	56.893	3.07	1.98	1.50

*Estimated.

Source: For Japan Ministry of Labor (1986-90) and Management and Coordination Agency (1991). For the United States Department of Labor, Bureau of Labor Statistics, and Department of Commerce, Bureau of the Census.

In the past, however, Americans have viewed early retirement as a sign of the good life, a deserved opportunity to rest. From Washington's perspective such an attitude raises concerns about the degree to which citizens will rely on Social Security and government-funded programs instead of private financing for long-term care.

Younger Japanese, influenced in part by Tokyo's efforts to promote more leisure time by cutting working hours, may begin to show less fealty to the corporate work ethic at a time when government also is promoting increased years on the job. Both Tokyo and Washington would prefer that people continue working for more years; longevity increases mean that the sooner a worker retires the longer he or she will take money out of the social security system rather than paying into the trust funds. Were retirees just drawing on their own contributions this would not be a problem, but longevity and cost-of-living adjustments mean that most get a return far greater than they provided.

- Through social security and pensions. For most of those who retire in both countries social security and company pensions form the backbone of their income for future years. Of the nearly 21 million people 60-years-old and older in Japan in 1989, recipients of public pensions — similar to Social Security in the United States — numbered 19 million. Almost half of older households in Japan reported no other source of income than the public pension, according to the results of a 1989 MHW survey. Moreover, the basic public pension amounted to nearly one-half the reported income in the average older household. A 1989 tally of income sources for the average older Japanese resident calculated by MHW's Aged Persons' Health and Welfare Bureau indicated that 49.9 percent of the income came from public pensions, 34.4 percent from wages and salaries, 9.5 percent from interest earnings, 3 percent from public assistance other than pensions and 3.2 percent from other sources, including family support.[3] Growing numbers of Japanese reportedly are buying their own life insurance annuity policies. These are particularly popular among women; new subscriptions jumped by almost 40 percent in 1991. The rationale behind the policies lies in women's longer life expectancies and shorter enrollment period in public pensions.[4]

Of those Americans eligible for Social Security (including those who qualify as a result of disability or survivors of eligible workers), 39 million received benefits in 1990. Estimates provided to the 1991 Advisory Council on Social Security showed that nearly 62 percent of older U.S. families depended on Social Security for half of their income in 1988; that figure climbed to nearly 80 percent for those aged 85 and older. The advisory council's report showed that for an average senior citizen household 41 percent of the income flowed from Social Security, 17 percent from private pensions, 17 percent from wages, 24 percent from investments and 1 percent from other sources.[5]

With such large percentages of both populations relying on social security for a good portion of their postretirement income, survival of the systems would appear critical. In 1989 Tokyo called for reforms in its public pension system. Included were a provision for cost-of-living adjustments of benefits and a plan to gradually phase-in increases in contributions; employer and employee now split the contribution, which is 14.5 percent for men and 14.15 percent for women. For workers who are self-employed or for people contributing for an eligible nonworker, the flat-fee monthly contribution currently is ¥9,700 ($72 at ¥135=$1.00); that amount is expected to be raised again to keep the system solvent.

One problem developing from the rising pay-in rates in Japan is that roughly 25 percent of the self-employed or nonemployed aged 20 to 60 is not contributing, according to Japanese pension expert Kiyoshi Murakami. The requirement to enroll in the public pension program is mandatory, but no penalty has been described for those who refuse. Although about 2.2 million of the 17.2 million in this category have been exempted from paying fees because of limited income, as many as 2.3 million others simply are not paying. "It is inevitable that the higher the contribution, the more will drop out," Mr. Murakami has said. "Unless some measure is taken, the situation could become very serious within 10 years."[6] About one-third of the public pension program is supported by government subsidies, making compliance with payments for the remainder a major concern for policymakers.

Although Social Security is listed as the second-largest federal spending item after defense in this country, the program actually operates on a trust fund basis from employer/employee contributions, which this year are set at 6.2 percent each on the first $55,500 of salary. The excess monies accumulated in the old-age, survivors and disability insurance trust funds are used to buy government securities and, thus, function somewhat as a loan. In about 30 years payouts are expected to overtake contributions if no changes are made in present benefits or contribution levels. As described by a technical panel report submitted to the Advisory Council on Social Security, the Social Security program will need by the year 2020 or so "to use interest income and to redeem the [government] securities to meet OASDI costs (unless a tax rate increase or benefit change is enacted before then). These redemptions will represent a substantial demand on federal general revenues at that time."[7]

A clear difference exists between Tokyo and Washington regarding government's perceived role in assuring postretirement financial assistance. The Health and Welfare Ministry, the administrative body responsible for the public pension system that comes under the country's social security umbrella, has described the public pension as providing "income security that is sufficient as a major income source for retirement life."[8] At least until recently MHW viewed corporate pensions more or less as the icing on the cake. Beneficial tax treatment of corporate pension funds have worked, however, to encourage more companies to set up such funds (see *JEI Report* No. 21A, May 25, 1990).

Although many Americans have begun to expect Social Security to be their basic support after retirement (not necessarily one of the original aims of the program), Washington has promoted company-sponsored pensions through such laws as the 1974 Employee Retirement Income Security Act, which outlined a 10-year vesting requirement for private plans, and the 1986 Tax Reform Act, which stipulated minimum vesting rules and forbade companies from giving a disproportionate amount of retirement benefits to the best-paid employees. The recent Advisory Council on Social Security noted, however, that private pensions will continue to be secondary to Social Security as an income source for retirees. Projections put pensions at nearly 25 percent of the income received by all elderly in the year 2018, with Social Security still making up at least 39 percent.

Interestingly, Americans and Japanese now in the work force both are skeptical that the programs on which the current generation relies so heavily for postretirement support will be equally able to serve them in retirement. An October 1991 survey for the advisory council found that 51 percent of those questioned disagreed with a statement that Social Security would provide them benefits when they retire. Roughly 46 percent of those polled said their confidence in the system had eroded over the past five years, while 40 percent said their opinion had not changed in that time; 12 percent were more confident. In Japan a public opinion survey by the Central Council for Savings Promotion found in September 1989 that about 70 percent of those polled suspected that pensions and insurance would be insufficient after they retired. Another 35 percent-plus of the respondents suggested that their own retirement allowances would be inadequate. The Economic Planning Agency's *Annual Report on the National Life for Fiscal 1990* noted that rising concerns about financial stability during retirement "seems to help keep the savings rate high."[9] Since Japan's universal public pension system is only 30 years old, experience with the program may be insufficient to instill confidence among participants.

- Through savings. Economists increasingly are wondering whether the aging of Japan's population will result in dissaving by those who no longer earn as much and spend accumulated assets. Their interest often stems from the impact that Japan's high personal savings rate has had on the availability of capital for corporate Japan's investment activities. (For an economic analysis of Japan's aging labor force, see *JEI Report* No. 46A, December 7, 1990.) The question of dissaving also has implications for the financial security of older Japanese who might find themselves in need of long-term private care.

In the past analysts attributed Japan's high savings rate, in part, to an undeveloped pension system. Now, however, the pension system is more mature, although, as indicated, prospective recipients question whether the system will be adequate for their needs. Various studies and surveys have suggested that another reason for the continued high savings rate is that seniors want to leave a bequest to their heirs.[10] Whatever the reason, reports indicate that in the late 1980s older Japanese held on average savings of ¥17 million ($125,900). In addition, the current generation of senior citizens is likely to win more of the benefits of what remains of the 1980s home equity boom — if they choose to sell — than other generations. Eighty percent of older Japanese own homes (including about 70 percent in the Tokyo area).[11] This compares with a 61 percent home ownership rate in 1985 for all households in Japan.

Housing has been a key part of asset accumulation in the United States, where government financing programs as well as tax deductions for interest paid on mortgages have encouraged home ownership. Those Americans currently aged 65 and over who own homes are nearly as abundant among their contemporaries as are their Japanese counterparts among that nation's older population. Home ownership, however, remains a problematic asset in some respects since many elderly are land rich but poor in the liquid assets needed to pay for long-term care.

Americans appear optimistic about their ability to increase their savings rate from its current low of around 5 percent of disposable income (which compares with Japan's rate of 14 percent-plus), according to a survey conducted for the Advisory Council on Social Security. That October 1991 poll indicated that future retirees expect savings to form a larger part of their financial security than is the case for current retirees. Respondents under age 65 projected that earnings from investments would amount to 40 percent of their postretirement income. Although a report on financial resources for the elderly in the year 2018 also anticipated increased financial assets, the authors noted that almost 85 percent of financial assets will remain in the hands of those with the most wealth now. The majority of elderly (53.2 percent) is expected to be in the category with less than $10,000 in assets.[12]

Maintaining Physical Well-Being - Cultural attitudes as well as government policies toward health insurance play a role in maintaining a healthy citizenry. Good health, in turn, raises the threshold at which long-term care becomes more likely.

- Staying active. Japan's Health and Welfare Ministry has promoted an Active 80 Health Plan since fiscal 1988 to encourage improved habits for nutrition, exercise and nonwork-oriented recreation. Even before then the government encouraged community-based efforts to promote health awareness through use of "health passbooks" to record vaccinations, checkups and other pertinent information. For the elderly as well as mothers and young children community-funded health centers (numbering 848 as of March 1990) provide examinations. The government encourages routine checkups to start at age 40.

An emphasis on preventive care in Japan, plus coverage of more than 90 percent of the population under some type of health insurance program, could be expected to decrease the incidence of chronic health problems that can lead to needing long-term care. On the negative side, however, are concerns about overwork and *karoshi* (death from overwork). This phenomenon seems a likely cousin to high-blood pressure and stress-related problems that are linked to stroke, one of the leading causes of death in Japan. What is more important, the debilitation caused by stroke is one of the main factors blamed for Japan's high proportion of bedridden elderly — primary candidates for long-term care.

Inactivity by senior citizens also is a worry for those trying to decrease the necessity for long-term care in Japan. Mr. Butler, the former director of the National Institute on Aging, noted that cultural factors play a role in encouraging inactivity. In three-generation households, where a daughter-in-law might be at home with children and the mother-in-law, the younger woman is likely to be the manager of the home and may not expect any help from the older woman. "There's a curious malevolent side," too, the gerontologist said, citing a situation in which Japanese have not

pushed for stroke victims to try to regain their faculties. "It is not expected that you would have to fight [to get better]. That's antithetical to good health."[13]

Other factors contributing to inactivity include the relative lack of hobbies by some Japanese who have spent their earlier years concentrated on a job. A September 1986 comparison by the Management and Coordination Agency of opinions held by the elderly in Japan, the United States, Denmark, Italy and Thailand found that, in general, Japanese respondents lagged in their active hobbies, except for gardening and traveling, as well as in their relations with neighbors and friends. The agency noted that Japanese hobbies averaged 3.3 for seniors, compared with 2.6 in Thailand and five or more in the United States, Italy and Denmark. Only group activities with other older people placed relatively high among Japanese, who ranked second in that category to U.S. seniors.

Whether American seniors on average are more or less active than their Japanese counterparts is open to debate. Less arguable is that Japan has a medical insurance system that encourages health maintenance more than do America's patched-together, less inclusive health insurance programs.

- Insuring preventive maintenance. Even before Japan's health insurance system for senior citizens kicks in for 70-year-olds (and bedridden 65-year-olds), Japanese retirees are covered under some form of insurance program. Those who formerly were covered by an employer-based health insurance fund can continue to pay premiums; coverage is subsidized by current workers' payments. Those ex-workers not covered by an employment-based insurance program can pay a set rate for National Health Insurance, which receives government subsidies for up to half the cost of benefits. Those who do not make payments are responsible for paying their full health bill in cash at the time of receiving services, but their payment will be reimbursed by the NHI fund since, in theory, they are covered by the national insurance program. (Those with low incomes receive help from welfare subsidies.) An estimated 17.7 percent of all households fall under a "households without income" category, which includes pensioners. They make up a growing segment of the people relying on the NHI program. (For details on Japan's health insurance program, see *JEI Reports* No. 16A, April 21, 1989, and No. 25A, July 5, 1991.)

Health insurance coverage is more of a problem in the United States, even though people age 65 and older (plus those who are disabled or suffering from end-stage renal failure) have access to Medicare. That program consists of hospitalization coverage, Part A, and voluntary coverage under Part B Supplemental Medical Insurance, which pays for physician services and a variety of outpatient services and supplies. Not only does Part B not pay in general for routine checkups and other forms of preventive care (except for mammography screening and pap smear tests), but not all Medicare participants choose to enroll in Part B. This leaves a small segment of the older U.S. population dependent on either private insurance, personal resources or Medicaid, a federal- and state-supported program for those whose incomes are low enough to qualify. An estimated 20 percent of the people enrolled in Medicare have no supplemental insurance but only their own resources to cover Medicare copayments and premiums plus other costs not covered by the program.[14]

Also a factor for policymakers weighing Medicare program costs is whether those who become eligible for Medicare will enter the program healthy. Since an estimated 35 million Americans are not covered by health insurance, there is a chance that some of these people will delay seeking medical attention, if possible, until they qualify for Medicare. Delays, of course, can worsen a medically needy person's situation and drive up the cost of care or increase the chance that a person will require long-term care.

Like Tokyo, which provides subsidies for the National Health Insurance plan, Seamen's Insurance program and government-managed health insurance funds for small companies, Washington has a direct interest in the rising costs of medical care through its 75 percent subsidy of Medicare Part B (see Appendix). Initially, the supplemental insurance portion of Medicare was expected to be

less necessary than Medicare Part A, which was meant as an aid for meeting the high costs of hospitalization for members of the no-longer-working population who were having trouble obtaining health insurance. As a result, Medicare Part A operates on a trust fund basis and requires employer/employee payroll contributions of 1.45 percent each (on income up to $130,200) to fund benefits; Medicare Part B, however, originally involved a 50 percent government subsidy.

Although outlays for Medicare Part A still surpass those of the outpatient part of the program, costs for Part B are growing faster. Moreover, Part B premiums now fund only about 25 percent of program costs, with general tax revenues making up the difference. For this reason Washington has a keen stake in controlling costs for Medicare Part B; it took steps in that direction this year with a plan to readjust payments to physicians. For Part A, which is expected to deplete its trust fund resources at current contribution rates as early as the year 2006, political considerations also are a spur to controlling medical care costs. Since very few of Medicare's resources go to long-term care, the link between the two rests primarily on Medicare's ability to help senior citizens avoid the debilitating conditions that can lead to a need for long-term help.

Relying on Personal Support Systems - One of the major cultural differences between Japanese and Americans is the concept of group-oriented behavior in contrast to independence. This attitude carries over to living arrangements. In Japan a three-generation household is common; such a household in modern America is unusual (see Tables 2 and 3). The traditional Japanese pattern, though, appears to be altering in the face of economic and demographic forces.

The move of young Japanese workers to cities in search of higher-paying jobs and the increasing wealth that has enabled more families to set up nuclear households are two factors that have led to a decreasing percentage of older Japanese living with adult children. Those over 65 who are living with children represent about 60 percent of older Japanese households whereas just 10 years ago that ratio was 70 percent, itself a drop of 10 percentage points from 30 years ago. In the United States the percentage of 65-year-olds whose children or other relatives live with them is closer to 11

Table 2: **Estimated Number of Elderly Japanese Households by Type**, 1980-89

(in thousands of people)

	1980	1985	1986	1987	1988	1989
Total Households, 60+	15,270	17,429	18,400	19,079	19,727	20,873
Living Alone	1,261	1,521	1,711	1,749	1,888	2,125
Living As Couple	3,299	4,490	4,588	5,008	5,331	5,854
Living With Children	10,187	10,780	11,319	11,551	11,636	12,032
With Married Children	7,126	7,349	7,530	7,781	7,564	7,627
With Unmarried Children	3,061	3,431	3,789	3,770	4,072	4,405
Other*	523	638	782	770	873	862
Total Households, 65+	10,729	12,111	12,626	13,030	13,491	14,239
Living Alone	910	1,131	1,281	1,290	1,405	1,592
Living As Couple	2,100	2,791	2,784	3,039	3,259	3,634
Living With Children	7,398	7,820	8,116	8,252	8,345	8,539
With Married Children	5,628	5,800	5,897	6,043	5,971	6,016
With Unmarried Children	1,770	2,019	2,219	2,209	2,373	2,524
Other*	321	369	446	448	481	474

*Includes households with relatives other than children or households of unrelated persons.

Source: Ministry of Health and Welfare, *Health and Welfare Statistics in Japan.*

Table 3: **Estimated U.S. Households Headed by Those Aged 65 and Older by Living Status, 1986-89**

(in thousands of households)

	1985	1986	1987	1988	1989
Total Households, 65+	18,100	18,596	18,998	19,455	19,714
Alone	8,112	8,318	8,511	8,683	8,851
As Couple	n.a.	8,289	8,457	8,631	8,731
Other*	n.a.	1,989	2,030	2,141	2,132

*Includes households with nonspouse relatives, including children, or households with unrelated persons.

Source: Department of Commerce, Bureau of the Census, *Statistical Abstract of the United States.*

percent (with those who live in a child's home adding an estimated 9 percent). Migrations by adult children in search of jobs as well as retired parents in search of homes in sunny states like Florida and Arizona have contributed to the low number of three-generation American households.

Despite the complaint in the 1980s that adult children were returning to the nest because of the high cost of independent living, older Americans generally do not expect their children to provide the home-centered care that might be necessary to avoid entering a nursing home. Many Japanese senior citizens, however, continue to expect immediate family or relatives to care for them as they become more dependent in old age. As many as 81 percent of the respondents to a 1987 survey by the Management and Coordination Agency voiced such an expectation. Americans are not oblivious to family help, however. The previously noted 1986 survey by the Management and Coordination Agency on opinions from older people in five countries asked a similar question. The majority of Americans (69 percent) said family and relatives would look after them if their health failed. Since multiple responses were possible, the second-most listed option was private-paid services (40.5 percent). That answer drew only a 4.9 percent response in Japan compared to the 95 percent expectation for family support.[15]

When Long-Term Care Becomes Necessary

America's 20-year-plus experience with developing nursing homes and other alternatives for long-term care has both advantages and disadvantages, in ways that are a mirror image for Japan, at least in some cases. Where a variety of long-term care facilities has sprung up in America (see Table 4), the options until a few years ago were more limited in Japan (see Table 5). Americans, however, have not developed a coordinated policy toward long-term care and its funding, and the consequent helter-skelter growth of the long-term care system now complicates policymaking. One view of the development of the U.S. nursing home industry, in fact, said:

> The case of public policies pertaining to nursing homes in the United States is perhaps the most stark example of policy provisions permitting the creation of an entire industry. This happened as service providers were able to broker open-ended public appropriations with a broad-based need for institutional care in the absence of other care alternatives.[16]

Japan has had somewhat more leeway to adopt comprehensive policies, although it would be misleading to describe the situation as a "newcomer" phenomenon. Some of the new policies are being developed to meet changing demographics. Others have arisen in response to previous misjudgments.

Table 4: **Long-Term Care Facilities in the United States, 1986***

	Number	Beds (thousands)	Occupancy Rate
Skilled Nursing Facilities	6,897	n.a.	n.a.
Nursing Homes**	16,388	1,507.4	91.7%
Government-Run	789	99.7	93.6
Proprietary	12,336	1,079.0	91.3
Nonprofit	3,263	328.7	92.4
Residential Facilities***	9,258	201.8	85.4
Government-Run	256	6.8	85.3
Proprietary	7,887	156.5	85.1
Nonprofit	1,115	38.5	86.5

*Excludes hospital-linked nursing homes.
**Defined as those at which a person needs some form of nursing care.
***Defined as those homes where no care is required.

Source: Department of Commerce, Bureau of the Census, *Statistical Abstract of the United States.*

The U.S. Situation — A surprise for many Americans facing the prospect of entering a nursing home is that in almost all cases they will be expected to pay the full cost unless they have an insurance policy that specifically covers long-term care or have so few assets that they meet their state's eligibility guidelines for Medicaid. Some elderly "spend down" or shift their assets in advance to family members as a way of becoming eligible for Medicaid. Others are impoverished by the costs of care and become eligible in that way. Less than 5 percent of the older population currently has long-term care insurance policies, which until recently were rare and which still generally are expensive. Although Medicare's Part A hospitalization insurance covers some nursing home care, eligibility is limited primarily to acute cases in which rehabilitation is expected. In other words, private resources are necessary for roughly 45 percent of the estimated 43 percent of the U.S. population aged 65 and over that at some time will need institutionalization as a result of chronic illnesses or situations in which they no longer have the financial, physical and personal support to stay at home. What may be more of a shock for the typically insured Americans eyeing these costs is that their prior experience with nonnursing home health care expenses required out-of-pocket expenses for only about 27 to 38 percent of costs.[17]

Also a potential shock is the cost of institutional care in the United States, which can approach $31,000 to $36,000 a year. This amount is far higher than the median annual income of 65-year-olds receiving Social Security benefits — estimated at $7,950 — and more than twice as much as the estimated median income from all sources of $11,750, as presented in the Advisory Council on Social Security's review of the elderly population's financial resources.

Moreover, the use of nursing homes is rising, according to Department of Health and Human Services researchers, who reported last year that three times as many people entered nursing homes in 1985 than did in 1965. A March 1992 report by the advocacy group Families USA showed that out-of-pocket expenditures for nursing home care quadrupled in the past 30 years, while projections drawn up last year for the Health Care Financing Administration put nursing home expenditures for the year 2000 at $131 billion, almost three times the $54.5 billion spent in 1990.

Efforts to promote alternatives to institutionalization, such as home health care, have led to growing public expenditures in those areas, although the outlays may have offset part of the costs of

institutionalization. An analysis of 1990 national health expenditures reported, "Spending for home health care grew faster than spending for any other category of personal health care in 1989 and in 1990 ... primarily because of increased funding by the Medicare and Medicaid programs." Increases in Medicare's home health expenditures rose 24.9 percent, while Medicaid's home health costs climbed 22.5 percent. The outlay by both programs totaled $8.5 billion in 1990.[18]

These escalating home health costs plus federal and state governments' rising outlays for Medicaid — the main public program addressing nursing home costs — have stirred policymakers to ponder how to both reduce expenditures and spread the risks. Results, however, have been limited. Suggestions that push more responsibility onto the government and encourage funding outside the welfare-associated Medicaid program have collided with federal budget deficit constraints and the fear that so-called entitlement programs are soaking up too much of government spending. Calls to incorporate more cost-sharing in such public programs as Medicare have run into resistance from not only the public but policymakers wounded by the passage then revocation of the Medicare Catastrophic Coverage Act of 1988, a measure that tried to reallocate the funding responsibility for

Table 5: **Type and Number of Japanese Residential and Nursing Facilities for Seniors***

Special Nursing Home	Serves 65-year-olds and older whose physical needs make care difficult at home. About 2,125 homes with 152,988 beds as of late 1989.
Ordinary Nursing Home	Serves those aged 65 and older whose physical, financial or home situation make living at home difficult. Clients' families either must be entitled to public assistance or exempt from local government taxes due to income levels. About 950 homes with 68,118 beds.
Homes Allowed to Set Moderate Fees	Serves those aged 60 or older with low incomes who have difficulties living at home because of circumstances, not necessarily health-related (for example, those with no relatives able to provide home care). Type A homes, of which there are 251 facilities and 15,161 beds, serve meals, while Type B homes, of which there are 39 facilities with room for 1,880 people, expect residents to provide their own meals.
Short-Stay Facility	Similar to a skilled nursing facility in the United States since the 65-year-old and older clientele are admitted because of acute illness or short-term problems and are expected to be able to return to their home. The first of four facilities opened in 1989; up to 200 people can be served.
Fee-Charging Nursing Homes	Serves those aged 60 and older who generally are in good health. They are provided meals and daily necessities. About 155 facilities that can accommodate 15,742 people.
Residential Communities	Apartment-style residences specially equipped with structures and features, such as emergency notification systems. Plans called for building five facilities in FY 1987 and up to 21 more by FY 1990.
Privately Owned Senior Housing Units	An estimated 173 facilities that can serve about 13,500 residents have been built throughout Japan.

*Excludes geriatric facilities that essentially are hospitals but with fewer medical personnel than at regular hospitals. Also omits hospitals that may serve a high number of long-term senior patients but are not considered geriatric facilities.

Source: Ministry of Health and Welfare and *Look Japan*, March 1992.

catastrophic care coverage by increasing Medicare Part B premiums to put more of a burden on current Medicare enrollees rather than shifting the cost to all current and future generations through general tax revenues.

The Situation in Japan — Concerns about the rapid aging of the population prompted government studies in the early 1980s to develop programs that would keep older people healthy for as long as possible but also provide services for those in need. Looming as a large problem for both the central and the local governments was their combined 30 percent subsidization of the costs covered by the Health Insurance for the Aged program. (Employment-based insurance funds provide the remaining 70 percent of funding.) This was a particular concern because of a tendency to allow bedridden elderly to use hospitals for long-term care.

From the government's perspective one of the worst options was to encourage prolonged hospital use by people with long-term care requirements but little need for extensive medical treatment. Services in hospitals generally are greater than in nursing homes, but so are costs. Moreover, the Diet's 1991 increase in copayments required of senior citizens for hospitalization showed the token nature of the fee; the ¥600 ($4.40) a day to be charged starting in 1992 fell 96.8 percent short of meeting actual inpatient treatment costs (see *JEI Report* No. 38B, October 11, 1991).

Another reason the Japanese government prefers older people to receive nonacute, long-term care in nursing homes or at home rather than in hospitals is that even if local governments provide public assistance to some elderly entering nursing homes at least they can take into account the person's assets in determining the degree of support. For example, in a special nursing home (those in which a person's physical requirements are such that regardless of financial circumstances institutional care is deemed most appropriate) the government covers the full cost if an entrant's annual income is less than ¥270,000 ($2,000). A sliding scale then determines contributions from the residents. The upper limit for monthly payments for any patient at a special nursing home is ¥180,000 ($1,333). Moreover, since Japanese civil law requires children to decide which sibling is responsible for supporting their parent(s), local governments can ask the children of residents in special nursing homes to contribute to their parent's care. Although the situation varies among communities and prefectures, an adult child considered responsible for parental nursing home care could be asked to pay the entire monthly bill if his or her national income tax payment for the year tops ¥6,270,000 ($46,400). A sliding scale determines assistance levels up to that amount, starting at payments of ¥9,000 ($67 a month) if a supporting child's annual income tax payment is ¥30,000 ($222) or less. Smaller amounts are possible for those exempt from paying local income taxes.[19] (In the United States similar support laws had been phased out by the 1960s, according to M. Powell Lawton, an expert on caregiving for the elderly at the Philadelphia Geriatric Center. He noted, however, that there have been some rumblings of new efforts to revive such legislation.[20])

The Japanese government sweetens the burden of caregiver support in various ways, ranging from income tax deductions to efforts to provide more home helpers under a Gold Plan aimed at preparing Japan by the year 2000 for an older society. Among the deductions possible are ¥450,000 ($3,300) on national income taxes and ¥290,000 ($2,148) on local income taxes for those who support a relative aged 70 or older. If the support is for a parent or grandparent living with the relative, a deduction of ¥100,000 ($741) is allowed at the national level and ¥40,000 ($296) at the local level. Support of bedridden or senile relatives merits a federal tax deduction of ¥300,000 ($2,200) and a local tax deduction of ¥80,000 ($593).

The Gold Plan, a major policy initiative expected to cost about $40 billion over the next 10 years, represents a comprehensive approach to addressing the needs of an older population (see Table 6). Primary among the objectives are efforts to decrease the number of bedridden Japanese, estimated at 4.2 percent of the home-based population in 1984 and 1.4 percent of the population that had been hospitalized for more than six months.[21] Among the measures are an increased number of rehabilitation centers and vehicles with lifts capable of handling wheelchair-bound patients. Other

Table 6: **Proposals for Japan's 10-Year Plan Promoting Health and Welfare of the Elderly***

Program	FY 1989	FY 1990	FY 1991
Promotion of Home-Centered Care			
▪ Increase Number of Home Helpers	31,405 people	+4,500 people	+5,000 people
▪ Increase Number of Beds in Short-Stay Special Nursing Homes	4,274	+3,400	+4,000
▪ Increase Number of Day-Care Centers for Elderly	1,800	+700	+850
▪ Increase Number of Organizations That Support Home-Centered Care	--	300	+400
▪ Increase Number of Towns and Cities with Information Centers Aimed at Improving Seniors' Lifestyles	30 sites	50 sites	+50 sites
Promotion of Rehabilitation Programs to Limit Number of Bedridden Elderly			
▪ Insure Places for Rehabilitation	3,849 sites	+467 sites	+467 sites
▪ Provide Transportation for Disabled, including Microbuses with Lifts	--	1,054 buses	1,287 buses
▪ Expand Stroke Information System	--	10 prefectures	+5 prefectures
▪ Fund Information System to Help Prevent Strokes, Broken Bones	¥17.63 billion	¥17.78 billion	¥18.03 billion
Funding to Help Complete Home-Centered Welfare System for Seniors	¥10.0 billion	¥60 billion	–
Expand Number of Nursing Home Beds			
▪ Add to Beds in Specialized Nursing Homes	8,000 beds	10,000 beds	10,000 beds
▪ Add to Facility Sites Serving General Welfare Homes for Elderly	150 sites	250 sites	275 sites
▪ Increase Number of People Who Can Be Served at Brief-Stay Care Facilities	200 people	1,500 people	3,000 people
▪ Establish Centers to Promote Improved Lifestyles for Senior Citizens	--	40 centers	40 centers
Promote Local Government Support for Organizations that Enhance Lifestyle of Senior Citizens			
▪ Increase Number of Prefectures Served	15 prefectures	30 prefectures	47 prefectures
▪ Increase Number of Model Projects	152 sites	304 sites	304 sites
Fund Scientific Research on Elderly	¥508 million	¥1.0 billion	¥1.39 billion
Complete Integrated Welfare System Embodied in "Hometown 21" Project	¥60 million	¥60 million	¥60 million
Insure Staffing for Gold Plan			
▪ Set Up Information Centers for Welfare Specialists	--	--	15 sites
▪ Establish Personnel Bank for Welfare Specialists	--	--	95 sites
▪ Fund Enterprises That Promote Home-Centered Welfare Services	--	--	¥1.0 billion

*Initial budgets.

Source: Koseisho Daijin Kanbo Rojin Hoken Fukushibu, *Rojin no Hoken Iryo to Fukushi, Seido no gaiyo to doko*, p. 41.

major objectives as the central government seeks to drive down institutionalization costs are more support for community-based case-management and education programs for the elderly, plus triple the number of home helpers (provided at a charge of around ¥650 or $4.70 an hour or less, depending on a family's financial situation, according to 1990 figures calculated by the Economic Planning Agency).

Expansion of the number of beds and types of nursing homes also falls within the parameters of the Gold Plan. Nobuo Maeda of Sapporo Medical College in Hokkaido has suggested that government restrictions on the building of nursing homes prior to 1985 — out of concern that more homes would increase the costs for which government might be responsible — had resulted in longer hospital stays by elderly in need of long-term care. A lack of nursing home beds, he said, also drove up the wait for openings in existing homes, a wait that at a minimum was around six months.[22]

Although profit-oriented nursing homes were rare in Japan until the late 1980s, according to Mr. Maeda, the government has begun to support efforts by private enterprise to build communities incorporating nursing homes. One of the leading proponents of such projects is a consortium in which America's largest nursing home operator, Beverly Enterprises, Inc., has a 42 percent stake and Shimizu Corp., a major Japanese contractor, has a 43 percent interest. Bobby Stephens, vice president of development for the Fort Shaw, Arkansas-based firm, says the joint venture has nine projects under construction and four in operation. The communities usually include condominium units as well as a nursing home and a clinic, plus recreational facilities.[23]

The upscale new retirement communities with their attached nursing homes stand in contrast to the nursing homes more typical of Japan's past, in which most patients were bedridden and received primarily personal, rather than medical, care. Expectations that a wealthier generation will move into the $375,000 condominiums in such retirement communities as those run by Beverly Enterprises has raised concerns among some directors of older nursing homes. They fear that their facilities will be unable to compete[24] or that greater class distinctions will result in the older homes being associated with a welfare clientele.

Nevertheless, senior citizens surveyed by the Housing Loan Corp. in 1990 about how much they would be willing to spend to live in a comprehensive care type of retirement community showed that 26.7 percent were interested in memberships at the $300,000 and above level.[25] The degree of interest in retirement/nursing home communities also is attracting Japanese insurance companies. A representative of Nippon Dantai Life Insurance Co. has been quoted as saying, "The Japanese government is encouraging us in this area because it hopes to use the private sector to supplement the weak welfare system."[26]

Other worries about infrastructure deal with the unavailability of facilities on a uniform basis throughout Japan. As a result, Tokyo has funded prefecture-targeted pilot projects to improve the range of care options. Similar projects are under development in the United States, which also has concentrations of elderly in some states and scarce resources in others. (Private nursing home operations, which provide the majority of long-term beds in the United States, are wary of opening homes in some states, however, because reimbursement rules on Medicaid vary from state to state and the home may not be able to limit services to only private-pay residents.)

Moves to develop infrastructure in Japan for various long-term care options have come at a time when women are returning to the labor force in increasing numbers. This creates additional family wealth but also leaves homebound elderly relatives in need of alternate support systems, including day-care centers, respite facilities and home helpers. The rush to create infrastructure plus the labor shortage that could restrict the number of home helpers available for community-based support systems could combine in an unfortunate turn of events to push Japan toward an increased emphasis on institutionalization. Rehabilitation efforts then might fall short, since the goal of returning the elderly to their homes usually depends on the availability, at least temporarily, of a nearby caregiver.

Impact of Aging and Long-Term Care Approaches

The results of Tokyo's 1980s-era policies and the patchwork quilt of policies developed in Washington over the past 25 years or so have implications not only for the respective populations as a whole but for companies in both countries competing in world markets. The current generation of Japanese seniors who grew up in the harsh economic times of the war years and participated in bringing Japan to economic superpower status may be able to appreciate the government's efforts to improve social security, pensions and — for those who want to continue working past 55 or 60 years of age — delayed retirement ages. Emphasis on improved living conditions and relatively low-cost health care for older people also work to their benefit.

Younger workers in Japan, however, might find that certain changes have contradictory messages. For example, in line with international calls for Japan to conform to the working-hour standards evident in other major industrial countries plus Tokyo's stated intention of increasing society's ability to enjoy the fruits of its labors, government has a policy of reducing the number of hours worked a year to 1,800 by the end of Fiscal 1993. This is expected to increase Japanese workers' leisure pursuits; that, in turn, would decrease their stress-filled work lives and lead to healthier workers. However, the effect could lead to more people willingly choosing early retirement — countering government's efforts to boost the normal retirement age to 65. Of course, longer working lives might be no hardship if work and play are in better balance.

In the United States fewer older workers are in the work force and that raises concerns in Washington about demands on Social Security and Medicare. Since current retirees are expected to live well into their 80s, some could receive benefits to some extent for more than 20 years from government-administered trust fund systems (plus government subsidies in the case of Medicare). Among options mentioned for revising Social Security and Medicare is to boost the ages of eligibility for both programs, but such moves would put more strain on employer-funded pension and health-care systems; thus, these changes are not seen as likely in the immediate future. Mr. Butler of the International Leadership Center on Longevity and Society has noted, "Baby boomers are where the answer lies. They are beginning to see that society will be very ill-prepared for them." The group is so large, he said, "that elected officials will have to respond to them." He added that when people begin to realize that they may live until age 100 or more, they may see a greater necessity for continuing work for as long as they are able.[27] This prospect has both good and bad elements as far as companies in both countries are concerned.

Implications for Japanese Companies - Even though corporate Japan remains interested in retaining its seniority-based employment system, which encourages older employees to retire and make way for younger workers whose salaries are correspondingly lower, a longer work life for the average employee would offer some advantages to a company. The longer that workers are employed, for example, the more they will contribute to health insurance and company pension plans. Given that active people have better prospects of avoiding chronic debilitation than those who are sedentary, workers also can be expected to make fewer demands on the health care system. Moreover, less financial strain on the health insurance and public pension funds — to which Japanese employers and workers contribute — could lower the likelihood that premiums would have to be raised. Another expected benefit of longer employment would be continued high savings by older workers; these savings, in turn, could continue to help fund Japan's corporate plant and equipment investment.

Tokyo's moves to emphasize home-centered care of senior citizens and encourage more private resources for nursing homes also relieves the strain imposed on company-affiliated health insurance funds, which together contribute 70 percent of the financial support for the Health Insurance for the Aged program. Even though the government has upped contributions required of employer-linked insurance funds to the Health Insurance for the Aged program, the contribution is made annually on a lump sum basis and severs companies' ongoing liability for "graduates" from the employee-based system. Since companies also pay national and local corporate taxes, any efforts to

decrease government subsidies for the National Health Insurance, Health Insurance for the Aged and public assistance programs probably would meet with corporate appreciation. In addition to the positive tax and benefit effects generated under Tokyo's policies on aging and long-term care, some companies gain expanded opportunities to serve an increasingly affluent elderly population.

Implications for U.S. Companies - Lack of a coordinated U.S. policy toward aging and long-term care issues complicates planning by companies concerned about whether Washington will act to boost Social Security and Medicare taxes or move to require more involvement by companies through extension of the eligibility age (and, thus, extended payroll tax contributions) for Social Security or Medicare. These are concerns for almost all companies, regardless of size. Companies that pay into health or retirement funds for their employees, however, also find their planning hampered by government's lack of a clear signal on whether it intends to favor more public support or more private-based and individual responsibility for postretirement financial and health insurance systems. Complicating the situation is a question of legal liability for continued pension and health insurance coverage for firms that have declared bankruptcy.

Another concern is that if government does not act to control costs or readjust these programs, resources will be diverted to entitlement programs and cause havoc with the federal budget; that is a theme some officials on Capitol Hill are trying to push as an election-year topic. The mix of public and private support that has developed to date to serve an older populace also has raised questions of intergenerational equity. Critics contend that retirees have improved their status through their voting clout, while more young Americans are seen as at risk. Policy decisions to date have encouraged private enterprise to enter the for-profit nursing home business and offer expanded insurance offerings, but other policies have led a majority of Americans to expect increased public support for both the anticipated and unforeseen costs awaiting a generation of retirees.

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Dan Levison provided research assistance.

NOTES

[1]Telephone interview with Robert Butler, U.S. director of the International Leadership Center on Longevity and Society, Mount Sinai Medical Center, New York, New York, March 31, 1992.

[2]For a look at various reasons behind extended employment and the types of jobs available to retired workers, see Marcus Rebick, "After Lifetime Employment in Japan," paper presented to the Japan Economic Seminar, Washington, D.C., November 16, 1990.

[3]Ministry of Health and Welfare, Aged Persons' Health and Welfare Bureau, *Rojin no Hoken Iryo to Fukushi* (Tokyo: Zaidan Hojin Choju Shakai Kaihatsu, 1991), p. 14.

[4]Akiko Kusaoi, "¥1,605,337,700,000," *Look Japan*, March 1992, p. 46.

[5]Advisory Council on Social Security, *Future Financial Resources of the Elderly: A View of Pensions, Savings, Social Security, and Earnings in the 21st Century* (Washington, D.C.: 1991), p. 12.

[6]Kiyoshi Murakami, "Pension Programs in Japan," *International Pension Lawyer*, No. 8, May 1991, p. 16, and personal correspondence, April 7, 1992.

[7]Advisory Council on Social Security, *The Social Security Technical Panel Report to the 1991 Advisory Council on Social Security* (Washington, D.C.: 1991), p. 16.

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[9]For U.S. views, see Advisory Council on Social Security, *A Message from the American Public: A Report of a National Survey on Health and Social Security by the Advisory Council on Social Security* (Washington, D.C.: 1991). For Japanese views, see Economic Planning Agency, *Annual Report on the National Life for Fiscal 1990* (Tokyo: 1990).

[10]See, for example, *Ibid.*, Figure 1-4-11 "The Older the People Are the More They Intend to Leave Inheritance," and Fumio Hayashi, "Why is Japan's Saving Rate So Apparently High?," *NBER Macroeconomic Annual 1986* (Boston, Massachusetts: 1986).

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[12]Advisory Council on Social Security, *Future Financial Resources of the Elderly: A View of Pensions, Savings, Social Security, and Earnings in the 21st Century"* (Washington, D.C. 1991), p. 41.

[13]Butler, *op. cit.*

[14]Congressional Budget Office, *"Restructuring Health Insurance for Medicare Enrollees"* (Washington, D.C.: 1991).

[15]Management and Coordination Agency, *"The Summary of International Comparative Survey on the Life and Opinions of the Elderly"* (Tokyo: Foreign Press Center, 1986), and Economic Planning Agency, *op. cit.*

[16]Robert Hudson and John Strate, "Aging and Political Systems" in Robert Binstock and Ethel Shanas (eds.), *Handbook of Aging and the Social Sciences* (2nd. ed.) (New York, New York: Van Nostrand Reinhold Co., 1985), p. 577.

[17]Advisory Council on Social Security, *The Financing and Delivery of Long-Term Care Services: A Review of Current Problems and Potential Reform Options* (Washington, D.C.: 1991), p. 14.

[18]Katharine Levit, Helen Lazenby, Cathy Cowan and Suzanne Letsch, "National Health Expenditures, 1990," *Health Care Financing Review*, XIII, Fall 1991, p. 34.

[19]Ministry of Health and Welfare, Aged Persons' Health and Welfare Bureau, *op. cit.*, pp. 124-125.

[20]Telephone interview with M. Powell Lawton, Philadelphia Geriatric Center, Philadelphia, Pennsylvania, April 6, 1992.

[21]Nobuo Maeda, "Long-Term Care for the Elderly in Japan" in Teresa Schwab (ed.), *Caring for an Aging World* (New York, New York: McGraw-Hill, 1989), p. 249.

[22]*Ibid.*

[23]Telephone interview with Bobby Stephens, vice president of development, Beverly Enterprises, Inc., Fort Shaw, Arkansas, March 30, 1992.

[24]Theodore Brown, "Care for the Elderly in Kyoto, Japan," *Journal of Cross Cultural Gerontology*, IV, No. 3, July 1989, p. 358.

[25]Economic Planning Agency, *op. cit.*, p. 69.

[26]Kusaoi, *op. cit.*

[27]Butler, *op. cit.*

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The views expressed in this report are those of the author and do not necessarily represent those of the Japan Economic Institute.

APPENDIX

Japan's National Medical Expenditures and Portion Paid for Seniors' Care, 1985-90

(in millions of yen except for per capita amounts)

	1985	1986	1987	1988	1989	1990
National Medical Expenditures	¥16,015.9	¥17,069.0	¥18,075.9	¥18,755.4	¥19,710.0	¥20,900.0
Growth Rate	6.1%	6.6%	5.9%	3.8%	4.9%	6.0%
As Share of National Income	6.3%	6.5%	6.6%	6.4%	6.4%	6.4%
Outlays for Seniors' Care (70+)	¥4,067.3	¥4,437.7	¥4,830.9	¥5,159.3	¥5,550.0	¥6,000.0
Per Capita for Seniors	499,000	523,000	549,000	568,000	593,000	618,000
As Share of NME	25.4%	26.0%	26.7%	27.5%	28.2%	28.7%
As Share of National Income	1.6%	1.7%	1.8%	1.8%	1.8%	1.8%

Source: Ministry of Health and Welfare, Bureau for Aging Insurance and Welfare Assistance, *Rojin no Hoken Iryo to Fukushi* (1991), p. 63.

U.S. National Health Expenditures and Portion Paid for Selected Seniors' Programs, 1985-90

(in millions of dollars except for per capita amounts)

	1985	1986	1987	1988	1989	1990
National Health Expenditures	$422,600	$454,800	$494,100	$546,000	$602,800	$666,200
Per Capita	1,710	1,822	1,961	2,146	2,346	2,566
Growth Rate	11.1%	7.6%	8.6%	10.5	10.4%	10.5%
As Share of GNP	10.5%	10.7%	10.9%	11.2%	11.6%	12.2%
Personal Health Care Expenditures*						
Nursing Home Care**	$34,100	$36,700	$39,700	$42,800	$47,700	$53,100
Home Health Care**	3,800	4,000	4,100	4,500	5,600	6,900

*Excludes from national health expenditures the costs for program administration and the net cost of private health insurance plus government public health activities, research and construction.
**In 1989 Medicaid paid $20.6 billion toward the cost of nursing home care, while Medicare covered $3.6 billion. The comparable numbers for home health care were $1.9 billion and $2.1 billion, respectively.

Source: Health Care Financing Administration, *Health Care Financing Review*, Fall 1991.